

expiration of the period fixed for redemption to pay into the Federal Treasury an amount of coin equal to the face value of the notes still outstanding. The government then assumes the obligation of redemption for thirty years, after which the balance goes to a public fund.

The Swiss banking system as embodied in the law of 1881 was a system of free banking under government supervision. The Federal Assembly reserved the right to fix the aggregate of the Swiss circulation and to apportion it among the banks, but this right was exercised only for the purpose of compelling the banks to conform to certain uniform requirements. Twenty-six of the Swiss banks entered into a clearing arrangement by authority of a law of June 19, 1882, for the mutual exchange of notes. These banks were known as "The Associated Banks" (*Banques Concordataires*)* and their notes circulated throughout Switzerland and were received by public depositaries. The central government at no time guaranteed the bank-note circulation nor made the notes legal tender in private transactions.¹ One of the peculiarities of the Swiss banks, however, was that a majority (constituting twenty-two out of thirty-six at the close of 1906) derived their capital from the canton and relied upon the guarantee of the canton for support in case of need. They were thus substantially state banks, operating upon a miniature stage, and out of this fact grew many of the defects of banking conditions in Switzerland.

The law of 1881 was intended to remedy those which grew out of lack of uniformity of note issues, deficiency of redemption facilities, and unwarranted competition. As the existing banks had grown up, however, under varying conditions, they had many points of weakness which could not easily be removed without a reconstruction of the entire system. It was forbidden by the law of 1881 to banks whose issues were based on commercial paper to deal in securities or products for future delivery, to hold real estate, or engage in promotions; but these transactions were